

PLAN FOR THE FUTURE

Make a realistic budget. Build some savings. Even small deposits can help to avoid borrowing for emergencies, unexpected expenses or other items. Contact a licensed non-profit group that offers credit counseling to consumers if you need help in developing a monthly budget or working out a debt repayment plan with creditors. (Check with the Bureau of Financial Institutions first to make sure you are dealing with a licensed entity.) Also check with your employer, credit union or housing authority for no- or low-cost credit counseling programs. Remember that payday loans are not an effective solution for your long-term monetary needs! Keep in mind that payday loans are intended only for short periods of time, usually two weeks or less. Although they are quick and easy to obtain, customers pay considerably higher prices for the convenience of these loans.



CONTACT THE VIRGINIA BUREAU OF FINANCIAL INSTITUTIONS

If you have questions about payday loans or if you need assistance with a consumer complaint you may have against a payday lender, you may contact the Bureau of Financial Institutions toll free at 1-800-552-7945, through the Internet at www.state.va.us/scc/division/banking, or by mail at P.O. Box 640, Richmond, VA 23218-0640.

Consumer Guide to Payday Lending



VIRGINIA STATE CORPORATION COMMISSION
BUREAU OF FINANCIAL INSTITUTIONS

Consumer Guide to Payday Lending

Please take a few moments to review the information in this brochure. It is designed to educate consumers about payday lending in an effort to assist you in making a well-informed decision that meets your personal financial circumstances. Inside you will find brief explanations about short-term lending, as well as your rights and responsibilities as a consumer. Additional information about services available to consumers who are experiencing financial difficulty is also included.

PAYDAY LOANS

Payday loans can offer quick and easy access to money for consumers who may be having temporary cash flow problems or are facing a financial emergency and need to borrow funds for a short length of time. Although these loans are convenient to obtain, consumers are strongly advised to carefully review the contract before they sign it to ensure that they fully understand their obligations as well as the fees charged for these short-term loans. Once a loan agreement is signed, the borrower becomes legally responsible to fulfill the obligations stated in the contract. It is also important that consumers are aware of the significant additional costs they can incur if they are unable to repay these loans when they are due.

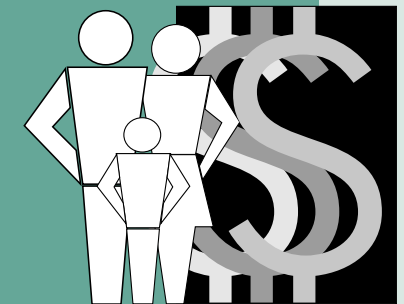
PAYDAY LOAN EXAMPLE

The typical payday loan works as follows: A lender signs a contract with a borrower, agreeing to take the borrower's personal check as collateral for a cash advance. The lender agrees to not deposit the check for a specified period of time, yet pays cash immediately to the borrower. Let's say you want to borrow \$200 until you get your next paycheck in two weeks. You write a check to a payday lender for \$230 (15% of \$200 = \$30 lender's fee + \$200 loan amount = \$230)

and you get \$200 cash in return. The \$30 interest you pay on the loan calculates to an Annual Percentage Rate (APR) of 391%.

ALTERNATIVES TO A HIGH-RATE PAYDAY LOAN

- Ask your employer for an advance on your paycheck
- Ask to borrow money from a friend or relative
- Find out if you have, or can get, overdraft protection on your checking account
- Find out if you can delay paying a non-interest bill such as a utility bill and make payment arrangements with the utility company
- Ask your creditors for more time to pay your bills. Find out what they will charge for this service - such as a late charge
- Consider a short-term loan from another financial institution, or a loan repayable over several months
- Consider a cash advance on a credit card.



If You Decide to Use a Payday Loan



Borrow only as much as you can afford to pay with your next paycheck and still have enough money left over to make it to your next payday. Comparison-shop before selecting any loan to compare the cost of other credit offers. Read the written agreement, and make sure the lender is either licensed with the Bureau of Financial Institutions as a payday lender or is exempt from the licensing requirements. In addition to the written agreement, the lender is required to give you a pamphlet entitled “Payday Lending in the Commonwealth of Virginia - Borrower Rights and Responsibilities,” which must include the following information:

Notice From Lender: The lender is required to provide you with a clear and conspicuous printed notice advising you that a payday loan is not intended to meet long-term financial needs and that you should use a payday loan only to meet occasional or unusual short-term cash needs.

Limitations on Security Interest: The lender cannot require you to provide more than one check as security for any payday loan. The check cannot be post-dated. The lender cannot require you to provide any security for your payday loan other than a check payable to the lender.

\$500 Maximum/Seven-Day Minimum Term: The lender cannot have a loan or multiple loans outstanding to an individual at any one time in the principal amount of more than \$500. By law, the specified due date of your loan must be at least seven days after the date that money is advanced to you.

Fees, Charges and Interest: The lender is permitted to charge interest in the form of a fee not exceeding 15% of the money advanced (i.e., \$15 per \$100 advanced). The 15% cap applies to all payday loans

regardless of the loan term (the number of days between the date the money is advanced and the specified due date). For example, if the lender advances you \$300 for 7 days, the lender may charge you up to \$45 (an APR of 782%). If the lender advances you \$300 for 14 days, the lender may charge you up to the same \$45 fee for the loan (an APR of 391%). If the lender advances you \$300 for 30 days, the lender may charge you up to the same \$45 fee for obtaining the loan (an APR of 183%). No additional amounts may be directly or indirectly charged, contracted for, collected, received, or recovered by the lender other than the specific fees and costs discussed in the section of this pamphlet entitled “Failure to Repay.” The lender will fund your loan with either cash or a check. The lender cannot charge you a fee for cashing their check nor can any check casher affiliated with the lender charge you a fee for cashing the lender’s check.

Disclosure of APR and Fees: You have the right to full disclosure in your contract (written agreement) of the APR of the loan and all fees (i.e., interest) before you sign the loan contract.

Written Agreement: The lender must provide you with a written loan agreement, which must be signed by both you and an authorized representative of the lender. The loan agreement is a binding, legal document which requires you to repay the loan. Make sure you read the entire loan agreement carefully before signing and dating it. The lender must provide you with a duplicate original of the loan agreement at the time of your loan transaction.

Other Businesses: A lender is prohibited from engaging in other businesses, besides a registered check cashing business, unless permitted by order of the State Corporation Commission. A lender is also prohibited from selling you any type of insurance.

Loans for Other Products & Services: You are prohibited from using any of the money from your payday loan to purchase any other product or service sold at the lender’s business location.

Right to Cancel: You have the right to cancel your loan at any time before the close of business on the next day the lender is open following the date your loan is made. You may do so by paying the lender (in cash, certified check, cashier’s check, money order, or, if the lender is equipped to handle such payments, by credit or debit card) the amount advanced to you.

Partial Payments and Prepayments: You have the right to make partial payments (in increments of not less than \$5.00) on the payday loan at any time prior to the due date without charge. You have the right to receive signed, dated receipts for each payment made along with a statement of the balance remaining on your payday loan. You also have the right to prepay the loan in full before its due date without penalty by paying the lender (in cash, certified check, cashier’s check, money order, or, if the lender is equipped to handle such payments, by use of a credit or debit card) the amount of money advanced to you as well as any accrued and unpaid fees.

No Rollovers, Extensions, Etc.: The lender cannot refinance, renew, extend, or rollover your payday loan.

Failure to Repay: PAY BACK YOUR LOAN! Know when your payment is due and be sure to repay the loan on time and in full. Failure to repay the loan on or before its due date can result in additional interest and fees as well as legal action against you. Be sure that you have money in your checking account on the due date of the loan so that your check does not bounce when it is deposited. If you cannot or do not repay the loan, the following measures are available to the lender:

1) The lender is permitted to recover from you any fee charged to the lender (maximum of \$25) as a result of your check being returned because (a) you stopped payment on your check, (b) you closed the account, or (c) the account contained insufficient funds to cover the check.

2) The lender may seek judgment against you as a result of your returned check. If a judgment is obtained and the court so awards, the lender may recover court costs and reasonable attorney’s fees from you (total not to exceed \$250). However, the lender is prohibited from threatening or beginning criminal proceedings against you if a check you provide to the lender bounces.

3) The lender may begin accruing interest on the unpaid balance at a maximum rate of six percent per year if the loan is not repaid by the specified due date.

4) The lender may also list past due accounts with the various credit bureaus, which could affect your ability to get credit in the future.

Legal Action against Lender: You have the right to bring a civil action against the lender if you suffer a loss as a result of the lender violating any provision of the Payday Loan Act. If you are successful in your civil action, you have the right to be reimbursed for reasonable attorney’s fees, expert witness fees, and court costs you have incurred in connection with the civil action. Losses suffered as a result of the lender’s violation of the Payday Loan Act may also be pursued under the Virginia Consumer Protection Act (§ 59.1-196 et seq. of the Code of Virginia), which in some cases permits consumers to recover actual and punitive damages.